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CHEAP MONEY.

A TALK BETWEEN SAM SILVER, FRANK FIAT AND BEN BANKS.

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The three were plain common-sense citizens of the town of Columbia. All had been favored with a good public school education ; but none of them pretended to much book learning and least of all to the kind of knowledge called economic. Still they were regular readers of the local papers and generally managed to get hold of the fly-sheets and the pamphlets issued by men in search of votes to popularize an idea or "to grind an axe." Naturally enough, therefore, their attention had been arrested by the excited discussion of the great money question. A celebrated financial conjurer named Coin Harvey, from Chicago, had just given an entertainment in the Town Hall, in the course of which, with marvelous sleight of hand, he showed how to make fifty cents' worth of silver into a real United States dollar. While sitting in the soft moonlight of a mild May night their talk, therefore, naturally drifted upon this striking feat of converting fifty cents into a dollar. Sam became enthusiastic over the discovery of such a short cut to wealth, but Frank and Ben seemed inclined to the idea that, if it was so easy to create money it might be possible to outdo the Professor at his craft.

Said Sam : " I don't see why that dollar Harvey made under our eyes wasn't a real one and as good as any dollar ever made. It was as big, it weighed as much, and it was as pure metal as the shining fellows they turn out by the millions at the mints ; and, what's more, it had Uncle Sam's own stamp on it. What else, then, but a true standard dollar, as Harvey called it, could it be ? Now, darn me, if I can see what use it is to make a silver dollar, if it costs as much as a gold dollar, when they can make it for fifty cents. All the better, say I, for its costing less. If cheap bread and cheap clothes are good things, why isn't cheap money a good thing ? And, don't you see we can get twice as many dollars when they cost only half.

“Then there’s another thing. It strikes me this cheap dollar would be a darned good thing to pay debts with. You see, I have a hundred-acre farm out in the valley, and I borrowed \$5,000 on it from one of them New England money-shavers, at seven per cent. I thought it pretty steep interest, when lots of people can get all the money they want at five per cent. But the loan agent said my security was risky ; and likely it was, for who’s going to say what a farm’s worth when wheat drops half of its price. However, that’s nothing ; a bargain’s a bargain. What tickles me is, if Uncle Sam makes up his mind to play Harvey’s trick I shall have a chance of getting square with that mortgagee ; for I can pay him in dollars that cost only half what he lent me.

“And that isn’t all. I guess if these cheap dollars are going to be used the factory men and the storekeepers won’t be willing to give so much dry goods or flour or groceries or anything else as they would for a gold dollar, which seems to mean that prices will go up to about double. Good again ; that means I shall get just twice as much for my crops. So, you see, I shall save half of my farm mortgage and double my income, and my farm will be worth twice as much as it is now. That’s what cheap money will do for me and you. The conjurer didn’t say that plain out exactly ; maybe he didn’t want to be quite so cheeky, and he might have frightened somebody or hurt some weak consciences ; but he knew men such as you and me would understand it ; and anyway that’s the plain, common sense of what he said. Now, I don’t know what you men think of it, but that’s the sort of doctrine for me. I’m from this day a disciple of Harvey and the Colorado and Nebraska men that started Harvey’s ‘Financial School’ and sent him to conjure up opinion in this benighted town. I say Jones and Teller and Stewart and all their like are benefactors of their race, when they offer to supply Uncle Sam with all the dollars they can dig out and all he can coin at a cost of 50 cents apiece.”

Frank : “Well, Sam, everybody knows you are a cute sort of a fellow, especially when Number One is at stake ; and I don’t see but what all your argumentation comes straight out of what that conjurer showed us at the Town Hall. But you must remember, after all, he was a sleight-of-hand man and, as people say, ‘things are not always what they seem’ to be ; and there’s another true saying, that ‘few eyes see all the sides of everything.’ I have no objection to cheap money, and none to an everlasting supply of it. There we both agree. But there’s a few things about this cheap silver dollar that I’m not near so clear about as you seem to be. It’s all very well to say that your Silver Kings are benefactors just because they tell you they propose to kindly supply dollars at fifty cents. But are you sure they really want to furnish the thing for fifty cents ? I know that’s what they say to you and me through such fellows as Harvey and the Honorable Mr. Jigger and other politicians in their service ; but how is it when they talk in Congress, and when they want to win votes in the East, where nobody

trusts silver, they swear by everything that's solemn that if the Government will coin all the silver they can mine, the price of silver will go up to its old figure, \$1.33 an ounce, so that a silver dollar will be worth as much and cost as much as a gold dollar? And now don't you think it would be human nature for this little brood of autocrats to get the highest price for their metal they possibly can? You can see that if by turning all their silver into dollars they can double its present price, it will be a grand game for them to play. It will be worth about thirty-five millions a year to them over and above what they now get out of their mines. Do you think Harvey's promises have really any more in them than a conjurer's tricks commonly have?

"No doubt, these Silver Kings have persuaded themselves that they could put up the price of silver a great deal, for if not, they could have no business reason for making such a fuss as they are raising about free coinage. But I want to ask you, Sam, what would become of your 'cheap money' if they did fulfill their promise to make a silver dollar worth as much as a gold dollar? You might then as well pay your farm mortgage in gold as in silver; there would be no rise in the prices of your crops; your farm would be worth no more than before and you would feel like kicking yourself because you had thought Number One wide awake when you had only been dreaming on a conjurer's trick."

Sam: "I confess, Frank, you know a few things about this subject I hadn't thought of, and you've caught me napping. But still I'm not so very far out as you think. For, suppose the Kings, as you call 'em, were to fail to put silver up to the old price,—and I see the papers on the gold side of the fence say they must fail,—why then the silver dollar will still be worth only fifty cents, which is what I calculated on and want; so you see, what would be bad luck to the Kings would be good luck for me; I shall get all I have expected."

Frank: "That depends. Are you sure you have seen both sides of the expectations raised by a dollar costing fifty cents? You have seen yourself as debtor, and counted on saving one-half the value due to the holder of your mortgage. You have viewed yourself as a landholder, and expect to see your farm double in value. You have reckoned that, as a raiser of crops, you will get double present prices for all you will have to sell. So far, the plan seems to suit your pocket splendidly. But you have forgotten to ask where you would stand as a buyer. You have to buy labor, seed, manure, implements, cattle, fuel, groceries, dry goods and a hundred smaller things. You have not remembered that every man you bought these things from would need to have the same doubling of the price of what he sells as you are expecting for yourself, or else he would be beggared. Don't you see, then, that your outlay would be increased just as much as your income; so that you would be no better off in the new state than in the old? Your balance of profit at the end of the year might show a

larger number of dollars ; but those dollars would have only half the buying power they had before ; they would in fact be only half-dollars instead of dollars. And supposing you found it necessary to borrow, under the state of things you favor, you would get your fifty cent dollar ; and yet, unless the lender were more foolish than lenders generally are, your bond would call for payment in gold. Then you would find yourself in just the fix in which you hope to put the creditor who now holds your farm mortgage. So you see, Sam, it is not exactly a safe thing to swap your money systems as heedlessly as you change your toggery."

Sam : " Well, I've got to confess you settle up my argument in a way I hadn't thought of, and there don't seem to be much balance left to my side of the case. But you must grant me that it would be a fine thing for the country to have a big increase in our stock of money. Didn't Harvey tell us our mines turned out silver enough to coin into sixty or seventy millions of dollars every year ? Think of that ! If they were only worth fifty cents a piece, that would be as much as thirty millions of what they call ' sound ' money ; and wouldn't that make trade hum out here where we see so little money of any sort ? "

Frank : " I'm in with you, Sam, for plenty of money ; but I want it to be of the right sort. It won't do to have it double-faced money, a dollar on one side and fifty cents on the other. It must have a fixed value ; not worth fifty cents, compared with gold, to-day, sixty cents next month and forty cents the month following. We don't want a money that shifts around the compass in the lively way greenbacks did before the resumption of specie payments, and causing prices of everything to go up and down every few days ; and yet that's just what we should have when free-coinage had driven our gold into hoards or out of the country.

" Then, again, don't you think that if the silver dollar is good enough after you've taken half of its value out it, it might answer all purposes if the other half too was taken out and the coin was made of iron, or copper, or nickel ? You would then have a money with a solid right to be called cheap."

Sam : " That's enough. This subject has more sides to it than I saw when that conjurer bewitched my eyes, and I'm going to look at it from every angle before I open my mouth about it again. You've told me plain enough what you don't believe about the silver dollar ; now tell me, won't you, what sort of dollar you do believe in ? "

Frank : " All right. Mark, now, the dollar I'm going to speak of is not the gold dollar, which is used to pay our debts to other countries and which has to be used for certain other purposes. It is the sort we want for retail everyday buying and selling. We will call it the dollar of trade, not the dollar of finance. Now my idea is that that dollar should cost nothing. You see I go for cheap money a good deal further than your fifty-cent silver dollar does. I suppose they would call me a fiat money man. I don't pre-

tend to be learned about these things, and I've never read any of the books written by the men called political economists ; but I've done some quiet thinking of my own on the subject, and it seems to me a big extravagance to use the most precious things in the world just to settle our bargains one with another. That sort of thing was well enough in the barbarous times when men couldn't trust one another ; but it seems to me that in these days we ought to make some use of the fact that an honest man's promise is as good as his gold. The other day I saw in the papers that a celebrated statistician—as they call the men learned in facts of this kind—puts the value of gold and silver coin in the world at eight thousand millions of dollars (\$8,000,000,000). Just think of that and of what it means ! It is so much money instead of so much of useful things—such as land, buildings, machinery, railroads, and goods of every kind needful to our comfort and happiness. Most people call this hard money wealth. I don't. I call all such useful things as I've mentioned wealth. Money is not real wealth ; it is only a tool through which we buy or sell the different kinds of wealth ; and it seems to me at least that it's about time we began to see whether we can't find a tool a great deal less expensive ; one indeed, that costs next to nothing."

Sam : " That seems all in the right direction, Frank. It beats Harvey's fifty-cent dollar hollow. But tell me where or how you are going to get possession of this tool that costs nothing ? "

Frank : " Well, you know what the United States Government is. It is the biggest government on the face of the globe. It represents the richest country in the world. Its destiny is to become richer and more powerful for generations to come. It has the power to say to its people, ' Cease to waste your labor and capital at the rate of one hundred and twenty millions a year in digging out metals merely to help you to settle your contracts ; henceforth by fiat of our authority, the common money of the United States shall be notes bearing over our seal the declaration, ' This is one or so many dollars, payable for all debts public or private. ' Now, if the United States Government says that such notes shall be a dollar or dollars, isn't that sufficient to make them money, and good money that everybody would be glad to get ? You see it would be a very different thing from the green-back. That note promises to pay so many standard dollars ; and, if the Government happened to put out too many of such promises, it mightn't be able to pay them, and then they would be worthless. But this fiat note makes no promise to pay dollars ; it is a dollar in itself, because Uncle Sam declares it so. Can we have any stronger or cheaper money ? "

Sam : " Your plan, Frank, is very enticing ; but I wouldn't like to say how it would work. It seems to me a dollar ought to have something more to it than this of yours would. But, anyhow, I would like to know how we could get your notes from the Government so as to use them. "

Frank : " Oh ! easily enough. Let the Government call in all its bonds,

and all its legal tenders and silver certificates, and pay the holders of those debts in these fiat dollars. That would put in the hands of the people fifteen hundred millions (\$1,500,000,000) of the new notes, which would be equal to twenty-one dollars for every man, woman and child in the country. Don't you see how well the thing fits, and how easy it is to get for nothing all the money the country wants and pay off the national debt into the bargain?"

Here the Fiatist rested his case. Up to this point Ben had been a silent listener, but not an uninterested one. He was a shrewd, thoughtful fellow, and during fifteen years' service as porter in the First National Bank of Columbia had heard a good deal of talk about the money question, and especially for the last two or three years. Moreover, he had found opportunity for reading some books and pamphlets which he found lying around the directors' room. Added to these advantages, he had a good stock of sound common sense, and had learned to express himself in a style of good clear English somewhat above his position. To him Sam and Frank now turned for an opinion on their views.

Ben: "I agree with you both that it is desirable to have more money of a cheap nature than we have now; but I don't think any dollar would be cheap that was not soundly guaranteed to its last cent. As to you, Sam, I have not much to say. It seems to me Frank has not left your fifty-cent dollar a prop to rest on; and he appears to have satisfied you that your hopes of making business gains out of that sort of money are a delusion. There is one point, however, on which the Silver Kings lay great stress that, in my opinion, won't hold water. They tell us that with free coinage all the silver produced, would go into the mint and that, as silver bullion would thereby become scarce, its price would rise to its former figure. Admitting this to be true to some uncertain extent, it would still be true also that silver, as a money metal, could not hold the same confidence in the public mind as gold. The country would therefore have two money metals of unequal standing. Now, so far as I have had opportunity of reading books borrowed at the bank on this subject—and they were not few—the writers all agree that it has always been the experience of the world that gold left a country where silver coin was valued by law above the price of silver bullion. We only need to go five years back in our own history to see how this fixed principle acts. In 1890 Congress adopted the Sherman Act, requiring the Government to buy forty-eight million ounces of silver each year. This act shook confidence in our silver money, and the consequence was that between July 1, 1890, and July 1, 1893, one hundred and fifty-six millions net (\$156,000,000) of our gold was sent to Europe. My point, therefore, is that the free coinage of silver would finally drive out of the country our six hundred millions (\$600,000,000) stock of gold. Now, both you men insist on plenty of money as well as having cheap money; and I want to know how you would like this reduc-

tion of six hundred millions in the amount of our currency. And I should like to know what you think would be the value of the silver dollar when the Government and the banks had suspended gold payments. The value of the dollar would be fixed every day by the price of silver bullion, which would be always changing.

“As to Frank’s flat money, I think it would be truer to call it flat moonshine. It is flat nothingness. It rests on nothing. It represents nothing. It is wind and shadow. It has no merchantable value, like gold or silver. It is not even a promise to pay. It is not an obligation of the United States Government. It is simply a bold, engraved lie ; for it declares that to be a dollar which does not possess any single one of the qualities or attributes essential to money. It is a liar without a redeemer ; the most hopeless of all the sinful forms of money. It has a history as the last desperate resort of war finance ; as the final prop of bankrupt States ; as the last shift of impotent fiscal financiers. It has never once been adopted without ruin to trade and disgrace to the State. To even hint at the thing as a possibility for the United States is an impudent affront to the intelligence and honor of our people. Frank, with no lack of respect for you—that is my opinion of your flat money.

“There is, however, a form of paper currency which is not only as cheap as yours, but as sound as it is cheap. Paper circulation should be in the form of a credit. It should be a promise to pay on demand ; to pay in a sound and stable legal tender ; in fact, in gold. The issuer should be a responsible corporation, possessing proved ample resources. The entire assets of the issuer should be unreservedly pledged as a first lien in favor of the holder of the obligation ; and, in addition to that lien, the shareholders of the corporation should be held responsible for final fulfillment of the promise. The amount of such promises should be restricted well within—say to 75 per cent.—the sum of the paid-in capital of the organization ; and the National Government should institute arrangements which would to the utmost help the obligations being sent home for redemption, so as, on the one hand, to prevent the circulation from being excessive in amount, and, on the other hand, to put a check upon unworthy issuers of it.

“That is a picture of what a soundly guaranteed and well-regulated bank note should be. The ideal has not often been realized ; but when it has, this has been found the safest and most elastic form of paper currency ever used ; it never failed to supply enough circulation ; it never permitted too much. If I might be so presumptuous as to prophesy, I should unhesitatingly say that the whole present drift in money affairs is towards a more universal use of a bank currency thus guaranteed and regulated ; and I very much mistake the signs of the times if the adoption of a system like this is not destined to be the final settlement of this much misunderstood question in the United States.



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“ Such a basis of note issues should not be confined to any one set of corporations. It should be national in its authorization and scope. The permission should be alike to National banks and to State banks, having not less than \$25,000 capital ; the conditions should be identical for both ; and both should be equally subject to the inspection of a Federal Comptroller of the Currency, so far as may be necessary to ascertain whether the banks are complying with the legal conditions of issue. The present National banks, however, might continue their issues against U. S. bonds if they so preferred ; but those notes would have no advantage of safety over the new ones, and their issue would be much less profitable.

“ Now, my friends, these are my ideas as to what should be our currency of the future. Do either of you imagine that, among the people of this great West and the twenty-three millions of the South, there are many common-sense citizens who would clamor for an uncertain and dangerous silver currency, if their local banks could be made free to issue all the currency needed, and when that currency would be covered by even a broader guaranty than that which now protects the National bank currency ? This, in my humble judgment, is the only sound and wholesome settlement of our money question. If you agree with me, let us go home and show our misled silver friends a more excellent way to a sound and lasting currency system ”

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